

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

San Diego Gas & Electric Company,
Complainant,

v.

Sellers of Energy and Ancillary Services
Into Markets Operated by the California
Independent System Operator and the
California Power Exchange,
Respondents.

Docket Nos. EL00-95-000
EL00-95-002
EL00-95-003

Investigation of Practices of the California
Independent System Operator and the
California Power Exchange

Docket Nos. EL00-98-000
EL00-98-002
EL00-98-003

Public Meeting in San Diego, California

Docket No. EL00-107-000

Reliant Energy Power Generation, Inc.,
Dynegy Power Marketing, Inc.,
and Southern Energy California, L.L.C.,
Complainants,

v.

California Independent System Operator
Corporation,
Respondent.

Docket No. EL00-97-000

California Electricity Oversight Board,
Complainant,

v.

All Sellers of Energy and Ancillary Services
Into the Energy and Ancillary Services Markets
Operated by the California Independent System
Operator and the California Power Exchange,
Respondents.

Docket No. EL00-104-000

California Municipal Utilities Association,
Complainant,

v.

All Jurisdictional Sellers of Energy and Ancillary
Services Into Markets Operated by the California
Independent System Operator and the
California Power Exchange,
Respondents.

Docket No. EL01-1-000

Californians for Renewable Energy, Inc. (CARE),
Complainant,

v.

Docket No. EL01-2-000

Independent Energy Producers, Inc., and all
Sellers of Energy and Ancillary Services Into
Markets Operated by the California Independent
System Operator and the California Power
Exchange; All Scheduling Coordinators Acting
on Behalf of the Above Sellers; California
Independent System Operator Corporation; and
California Power Exchange Corporation,
Respondents.

Puget Sound Energy, Inc.,
Complainant,

v.

Docket No. EL01-10-000

All Jurisdictional Sellers of Energy and/or Capacity
at Wholesale Into Electric Energy and/or Capacity
Markets in the Pacific Northwest, Including
Parties to the Western Systems Power Pool
Agreement,

Respondents.

**MOTION OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION
FOR EXTENSION OF TIME TO SUBMIT
CONGESTION MANAGEMENT REDESIGN PROPOSAL**

Pursuant to Rules 212 and 2008 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.2008 (2000), the California Independent System Operator ("ISO") respectfully requests that the Commission defer the requirement that the ISO file, by January 31, 2001, a redesign of its congestion management system and require, in the alternative, that the ISO file, by March 31, 2001, a status report including, to the extent practicable, a schedule for a definitive submission.

The ISO does not lightly submit this request. It is mindful of the Commission's interest in pursuing an evaluation of congestion management

reform (“CMR”) at the earliest practical date so that necessary changes can timely be implemented. Toward this shared goal, the ISO and the stakeholders in California’s electric markets have devoted an enormous effort to CMR over the past year, and were on schedule to make a comprehensive submission within the schedule contemplated by the Commission. Considering the review that would follow submission, and the need for extensive software changes following finalization of CMR modifications, the effort was geared to implementation in time for the 2002 summer peak season. Now, in light of profound changes that have been made and are occurring in California’s electricity markets, if that implementation goal still is to be achieved, we believe it critical that the January 31st filing date be deferred. This truly is an occasion where moving forward at too early a date would compromise the most expeditious resolution achievable.

The Commission is fully aware that the past several months have been chaotic for California’s electricity markets. Prices have reached levels that are entirely unacceptable and reliability of service has been threatened on a near daily basis. As the Commission itself recognized in its November 1st Order in these dockets, while CMR remains important, it is not a root cause of the current crisis that confronts California and its electric consumers. That, in itself, would not be reason for deferral of the CMR effort. But what does counsel strongly in favor of a modified schedule are the profound structural changes that the crisis has precipitated, changes driven largely by the guidance offered by the Commission.

For example, the Commission, in its November 1st and December 15th

Orders:

- eliminated the central role of the California PX as a pre-scheduler;
- mandated the forward scheduling of the bulk of energy requirements;
- encouraged long-term contracting by load-serving entities; and
- required a fundamental restructuring of the ISO Board governance structure.¹

In the few intervening weeks, substantial progress has been made toward these objectives while the State's electricity markets continue to confront daily threats to reliability, unacceptably high prices, and the potential insolvency of its two largest investor-owned utilities.

- Operating under legislative authority enacted on an emergency basis, the California Department of Water Resources ("DWR") has solicited, and currently is evaluating, long-term power supply proposals;
- The PX has announced its intention to cease operations in the near future and, in the interim, is downscaling its forward market activities;
- The credit ratings of Southern California Edison and Pacific Gas & Electric have been downgraded to the point where access to capital markets no longer is realistic; and
- The ISO has had to place increased reliance on its authority to mandate dispatch from a supply-side that appears increasingly reluctant to serve California load.

There is at least one additional significant recent event. The California legislature has restructured the ISO Governing Board. The new Board, comprised of five members appointed by the Governor and endorsed by the Electricity Oversight Board, already has held its organizational meeting and will

¹ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, et al.*, 93 FERC ¶ 61,121 (2000); 93 FERC ¶ 61,294 (2000).

be meeting again on February 1st to begin to confront the more pressing issues that face the ISO and the State as it endeavors to deal successfully with this truly unprecedented crisis.

None of the above is recited to dismiss the significance of CMR. It is intended, rather, to place that important effort in context. It is possible – but surely not likely – that none of the cataclysmic events of the past several months will necessitate a significant reformulation of the CMR effort that was well underway. But it could seriously compromise timely implementation of CMR to ignore the structural changes that recently have been introduced in California. It surely makes sense to consider the implications of the demise of the PX; of the anticipated market role of the DWR; and of whether, and to what extent, the changes already directed by the Commission should affect CMR. These changes include the development by the Commission staff, with input from the ISO, of a plan for market power monitoring and mitigation. In addition, the Commission has directed that the ISO consider alternative auction mechanisms, enhanced market power mitigation, the imposition of reserve requirements and an installed capacity market, an Integrated Day-Ahead Market, and the role of enhanced demand response programs. Indeed, a submission that fails to consider the significance of these profound changes is likely to become bogged down at the outset. We firmly believe that an orderly reappraisal in advance of the filing will prove to be the more expeditious path.

The newly constituted Board recognizes the priority to be accorded CMR and, notwithstanding the enormity of the tasks already confronting it, is

committed to devoting the resources necessary to bring the CMR effort to resolution consistent with a summer 2002 implementation schedule. That effort, however, can best succeed by granting the deferral requested.

Conclusion

For the foregoing reasons, the ISO requests that the filing date for the submission of congestion management reform be deferred subject to the submission, by no later than March 31, 2001, of a status report detailing, to the extent practicable, a schedule for a definitive submission.

Respectfully submitted,

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Dated: January 30, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding and in Docket No. EL00-555, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 30th day of January, 2001.

Sean A. Atkins